

STATEMENT OF
FRANK D. TITUS
ASSISTANT DIRECTOR FOR LONG TERM CARE
ACTING ASSOCIATE DIRECTOR FOR RETIREMENT AND INSURANCE
OFFICE OF PERSONNEL MANAGEMENT

before the

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

on

THE FEDERAL LONG TERM CARE INSURANCE PROGRAM

APRIL 10, 2002

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

GOOD MORNING. I AM FRANK TITUS, AND I SERVE AS ASSISTANT
DIRECTOR FOR LONG TERM CARE FOR THE OFFICE OF PERSONNEL
MANAGEMENT. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE
YOU TODAY TO DISCUSS THE FEDERAL LONG TERM CARE INSURANCE
PROGRAM (FLTCIP).

I AM ESPECIALLY PLEASED TO REPORT THAT THE PROGRAM IS UP AND
RUNNING WELL IN ADVANCE OF THE AMBITIOUS DEADLINE ESTABLISHED
BY THE LONG TERM CARE SECURITY ACT. IT IS WORTH NOTING THAT
SCARCELY MORE THAN TWO YEARS HAVE PASSED SINCE THE ORIGINAL
LEGISLATION WAS INTRODUCED. THE RECORD SPEED WITH WHICH THIS

PROGRAM HAS BEEN CREATED IS A TESTAMENT TO ITS STRONG BIPARTISAN SUPPORT WITHIN CONGRESS AND TO OPM'S COMMITMENT.

OPM SEES THE FEDERAL LONG TERM CARE INSURANCE PROGRAM AS CRITICAL TO THE FEDERAL GOVERNMENT'S EFFORTS TO ATTRACT AND RETAIN A HIGH-CALIBER WORKFORCE. IN ADDITION, THE PROGRAM PROMOTES PERSONAL RESPONSIBILITY BY ENCOURAGING MEMBERS OF THE FEDERAL FAMILY TO PLAN TO MEET THEIR OWN LONG TERM CARE NEEDS, RATHER THAN EVENTUALLY RELYING ON GOVERNMENT ASSISTANCE.

WE ARE WELL AWARE OF THE INTENSE INTEREST THE PROGRAM HAS ELICITED IN MANY QUARTERS, FROM THE ELIGIBLE POPULATION, TO THE INSURANCE INDUSTRY, TO PUBLIC OFFICIALS AT ALL LEVELS. WE KNOW THAT IT IS A TALL ORDER TO MEET THE EXPECTATIONS OF ALL OF THESE PARTIES. HOWEVER, WE ARE CONFIDENT THAT WE HAVE SUCCEEDED IN OFFERING A SUPERIOR PRODUCT AT A COMPETITIVE PRICE.

BEFORE I DISCUSS FURTHER THE CURRENT STATUS OF THE PROGRAM, I WOULD LIKE TO REVIEW WITH YOU BRIEFLY THE PROCESS THAT OPM USED TO DEVELOP THE PROGRAM. SHORTLY AFTER ENACTMENT OF THE LONG TERM CARE SECURITY ACT ON SEPTEMBER 20, 2001, OPM BEGAN MEETING WITH NATIONAL EXPERTS IN THE FIELDS OF LONG TERM CARE

AND LONG TERM CARE INSURANCE. WE HELD SEVERAL MEETINGS WITH INSURANCE INDUSTRY REPRESENTATIVES AND KEY STAKEHOLDERS. OUR GOAL IN SOLICITING THE INPUT OF THESE PARTIES WAS TO DESIGN AN INNOVATIVE, COMPREHENSIVE LONG TERM CARE INSURANCE PLAN THAT SURPASSES THE STATE OF THE ART IN THE INDUSTRY AND RESPONDS TO THE NEEDS OF THE ELIGIBLE POPULATION—WHOM WE CALL THE "FEDERAL FAMILY."

ON JUNE 20, 2001, OPM ISSUED A REQUEST FOR PROPOSALS (RFP) FOR QUALIFIED CARRIERS TO INSURE AND ADMINISTER THE FEDERAL LONG TERM CARE SECURITY PROGRAM (FLTCIP). WE THEN CONVENED A TECHNICAL EVALUATION PANEL (TEP) AND A COST EVALUATION PANEL (CEP) CONSISTING OF INSURANCE EXPERTS FROM THE OFFICE OF PERSONNEL MANAGEMENT, THE DEPARTMENT OF TREASURY, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, THE DEPARTMENT OF DEFENSE, AND THE PENSION BENEFIT GUARANTY CORPORATION.

THE RFP STATED THAT, TAKEN TOGETHER, TECHNICAL ASPECTS OF THE PROPOSALS WOULD CARRY A GREATER WEIGHT THAN COST. IT FURTHER STATED THAT WHILE ALL ASPECTS OF THE PROPOSALS WOULD BE EVALUATED, THE FOUR MOST IMPORTANT TECHNICAL ASPECTS, IN DESCENDING ORDER OF IMPORTANCE, WERE: 1) EDUCATION, MARKETING AND ENROLLMENT; 2) CUSTOMER SERVICE; 3) UNDERWRITING; AND 4)

CLAIMS ADMINISTRATION. THE OTHER TECHNICAL FACTORS WERE PLAN DESIGN, CONTRACTOR INFORMATION, REPORTING REQUIREMENTS, AND ADMINISTRATION AND SYSTEMS.

THE COST EVALUATION FOR THE FLTCIP PROPOSALS VARIED FROM TYPICAL COST EVALUATIONS, WHICH TEND TO FOCUS ON PRICE ALONE. THE COST EVALUATION PANEL DEVELOPED 10 FACTORS THAT WOULD BE ADDRESSED IN ITS REVIEW. FOUR FACTORS ACCOUNTED FOR 80 OF THE 100 POSSIBLE POINTS IN THEIR PLAN. THE FACTORS AND THE ASSOCIATED POINTS WERE: PREMIUM (20); OPERATION OF THE EXPERIENCE FUND (40); PROPOSED PROFIT AT RISK (10); AND REASONABLENESS OF ASSUMPTIONS (10). IT IS ALSO IMPORTANT TO NOTE THAT THE RFP REQUIRED THAT THE BIDDERS DEVELOP THEIR PREMIUMS IN ACCORDANCE WITH THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS' (NAIC) RATE STABILIZATION GUIDELINES. WHILE OPM WANTED THE MOST COMPETITIVE PREMIUMS POSSIBLE, WE ALSO WANTED STABLE PREMIUMS.

THE TECHNICAL AND COST EVALUATION PANELS PROVIDED THE RESULTS OF THEIR INITIAL EVALUATIONS TO ME, AS THE CONTRACTING OFFICER, FOR DETERMINATION OF THE "COMPETITIVE RANGE" -- THAT IS, THOSE OFFERORS THAT HAD A REASONABLE CHANCE OF BEING SELECTED FOR CONTRACT AWARD. I FOUND THAT TWO OF THE PROPOSALS SUBMITTED

WERE COMPETITIVE. WE THEN MET WITH THESE TWO BIDDERS DURING THE FIRST WEEK IN OCTOBER TO OBTAIN FURTHER UNDERSTANDING AND CLARIFICATION OF THEIR PROPOSALS. OPM SET A DEADLINE OF OCTOBER 15, 2001 FOR BEST AND FINAL OFFERS.

THE TECHNICAL AND COST EVALUATION PANELS THEN REVIEWED THE BEST AND FINAL OFFERS, AND MADE THEIR RECOMMENDATIONS TO ME.

WHILE THE PANELS SCORED EACH PROPOSAL FAVORABLY, BOTH PANELS CLEARLY FAVORED THE PROPOSAL SUBMITTED BY LONG TERM CARE PARTNERS, THE JOINT VENTURE FORMED BY JOHN HANCOCK AND METLIFE. I AGREED WITH THEIR ASSESSMENTS, AS DID OPM DIRECTOR KAY COLES JAMES, WHO AWARDED LONG TERM CARE PARTNERS THE CONTRACT FOR THE FEDERAL LONG TERM CARE INSURANCE PROGRAM ON DECEMBER 18, 2001.

SINCE THAT DATE, OPM AND LTC PARTNERS HAVE COLLABORATED TO LAUNCH THE EDUCATIONAL AND MARKETING CAMPAIGN AND FINALIZE PLANS FOR BOTH THE EARLY ENROLLMENT PERIOD AND OPEN SEASON. ALLOW ME NOW TO DISCUSS THE CURRENT STATUS OF THE PROGRAM, AND WHAT LIES AHEAD.

AS YOU ARE AWARE, WE ESTIMATE THAT THE FEDERAL FAMILY ENCOMPASSES APPROXIMATELY 20 MILLION PEOPLE WHO ARE ELIGIBLE TO APPLY FOR THE FLTCIP. THE ELIGIBLE POPULATION INCLUDES:

- **EMPLOYEES** - FEDERAL EMPLOYEES AND MEMBERS OF THE UNIFORMED SERVICES. THIS INCLUDES EMPLOYEES OF THE U.S. POSTAL SERVICE AND TENNESSEE VALLEY AUTHORITY, BUT DOES NOT INCLUDE EMPLOYEES OF THE DISTRICT OF COLUMBIA GOVERNMENT.
- **ANNUITANTS** - FEDERAL ANNUITANTS, SURVIVING SPOUSES OF DECEASED FEDERAL OR POSTAL EMPLOYEES OR ANNUITANTS WHO ARE RECEIVING A FEDERAL SURVIVOR ANNUITY, INDIVIDUALS RECEIVING COMPENSATION FROM THE DEPARTMENT OF LABOR WHO ARE SEPARATED FROM THE FEDERAL SERVICE, MEMBERS OR FORMER MEMBERS OF THE UNIFORMED SERVICES ENTITLED TO RETIRED OR RETAINER PAY, AND RETIRED MILITARY RESERVISTS AT THE TIME THEY QUALIFY FOR AN ANNUITY (ALSO KNOWN AS GREY RESERVISTS). RETIRED EMPLOYEES OF THE D.C. GOVERNMENT ARE NOT INCLUDED.
- **CURRENT SPOUSES** OF EMPLOYEES AND ANNUITANTS (INCLUDING SURVIVING SPOUSES OF MEMBERS AND RETIRED MEMBERS OF THE UNIFORMED SERVICES WHO ARE RECEIVING A SURVIVOR ANNUITY).
- **ADULT CHILDREN** (AT LEAST 18 YEARS OLD, INCLUDING ADOPTED CHILDREN AND STEPCHILDREN) OF LIVING EMPLOYEES AND ANNUITANTS
- **PARENTS, PARENTS-IN-LAW, AND STEPPARENTS** OF LIVING EMPLOYEES (BUT NOT OF ANNUITANTS)

AS YOU CAN IMAGINE, ONE OF THE GREATEST CHALLENGES WE FACE IS EDUCATING AND COMMUNICATING WITH THE ELIGIBLE POPULATION. THE LONG TERM CARE SECURITY ACT CLEARLY CHARGES OPM WITH ENSURING THAT INDIVIDUALS ELIGIBLE TO APPLY FOR THE PROGRAM RECEIVE EXTENSIVE EDUCATION ABOUT LONG TERM CARE INSURANCE.

WE TAKE THIS CHARGE VERY SERIOUSLY. WE WANT PEOPLE TO MAKE SOUND DECISIONS ABOUT WHETHER LONG TERM CARE INSURANCE IS RIGHT FOR THEM. AND WE KNOW THAT A LOT OF PEOPLE DO NOT KNOW MUCH ABOUT LONG TERM CARE, AND OFTEN KNOW EVEN LESS ABOUT HOW TO PAY FOR IT.

IN COLLABORATION WITH LONG TERM CARE PARTNERS, WE'VE DESIGNED A MULTIFACETED EDUCATIONAL CAMPAIGN THAT INCLUDES:

- A MONTHLY BULLETIN SERIES ENTITLED, "GET SMART ABOUT YOUR FUTURE";
- THREE SATELLITE BROADCASTS:
 - THE FIRST WAS ABOUT LONG TERM CARE IN GENERAL
 - THE SECOND WILL FOCUS ON LONG TERM CARE INSURANCE
 - THE THIRD WILL FOCUS ON THE PRODUCTS WE WILL BE OFFERING
- POSTERS, FLYERS, AND BROCHURES ON LONG TERM CARE AND LONG TERM CARE INSURANCE;
- APPROXIMATELY 2,000 WORKPLACE AND COMMUNITY MEETINGS ACROSS THE COUNTRY; AND
- WEBSITES WITH A WEALTH OF INFORMATION AND, BEGINNING JUST BEFORE OPEN SEASON, A VARIETY OF INTERACTIVE PLANNING TOOLS.

ALL OF THESE COMPONENTS, WITH THE EXCEPTION OF THE WORKPLACE AND COMMUNITY MEETINGS, ARE ALREADY UNDERWAY. THE LEVEL OF INTEREST AND ATTENTION THIS CAMPAIGN HAS ALREADY RECEIVED FROM THE FEDERAL FAMILY IS ENCOURAGING. NO EDUCATIONAL EFFORT ABOUT LONG TERM CARE INSURANCE HAS EVER BEEN ATTEMPTED ON THIS SCALE. BUT WE'RE CONFIDENT THAT AS THE EDUCATIONAL CAMPAIGN CONTINUES, THE FEDERAL FAMILY WILL BE MUCH BETTER

INFORMED ABOUT LONG TERM CARE AND LONG TERM CARE INSURANCE THAN THEY ARE TODAY.

WE ARE ALSO AWARE, HOWEVER, THAT A SEGMENT OF THE FEDERAL FAMILY ALREADY KNOWS A GREAT DEAL ABOUT LONG TERM CARE INSURANCE. THEY KNOW EXACTLY WHAT THEY WANT, AND THE ONLY QUESTION THEY NEED AN ANSWER TO IS "WHEN CAN I BUY?" OPM WANTS TO SATISFY THIS PENT-UP DEMAND AS BEST WE CAN.

THUS, IN AN EFFORT TO SATISFY THE DIVERSE NEEDS OF THE FEDERAL FAMILY, WE WILL OFFER TWO OPPORTUNITIES IN 2002 TO APPLY FOR THE FEDERAL LONG TERM CARE INSURANCE PROGRAM. THE FIRST, EARLY ENROLLMENT, BEGAN MARCH 25 AND WILL END MAY 15. COVERAGE WILL BECOME EFFECTIVE THE LATER OF MAY 1 OR THE FIRST OF THE MONTH FOLLOWING APPROVAL OF THE INDIVIDUAL'S APPLICATION. APPLICANTS' AGE, FOR PURPOSES OF DETERMINING PREMIUMS, WILL BE THEIR AGE ON THE DATE THEIR APPLICATION IS RECEIVED.

EARLY ENROLLMENT IS DESIGNED FOR THOSE WHO HAVE DONE THEIR HOMEWORK, KNOW THE ISSUES, AND HAVE DECIDED THAT THEY WANT LONG TERM CARE INSURANCE. NO ONE SHOULD FEEL AS IF THEY WILL BE LEFT BEHIND IF THEY DO NOT APPLY DURING THE EARLY ENROLLMENT

PERIOD. INDEED, ONLY LIMITED BENEFIT AND PAYMENT OPTIONS ARE AVAILABLE DURING EARLY ENROLLMENT.

WE PLAN TO CAPITALIZE ON THE SAVVY OF THESE EARLY PURCHASERS IN THE EDUCATIONAL CAMPAIGN. WE KNOW THAT PEER-TO-PEER EDUCATION IS USUALLY THE MOST EFFECTIVE. YOU'RE MUCH MORE LIKELY TO HEED THE ADVICE OF SOMEONE YOU KNOW AND TRUST THAN TO PAY ATTENTION TO A BROCHURE OR POSTER, NO MATTER HOW WELL DESIGNED. WE THEREFORE BELIEVE THAT INDIVIDUALS WHO PURCHASE OUR COVERAGE DURING EARLY ENROLLMENT CAN BE SOME OF OUR BEST ADVOCATES AND EDUCATORS. LONG TERM CARE PARTNERS IS DESIGNATING EVERYONE WHOSE ENROLLMENT IN THE FEDERAL LONG TERM CARE INSURANCE PROGRAM BECOMES EFFECTIVE MAY 1 AS A "CHARTER MEMBER." OPM DIRECTOR KAY COLES JAMES BECAME THE FIRST CHARTER MEMBER ON MARCH 25, AND THEN INVITED FORMER DIRECTOR JANICE LACHANCE TO BECOME THE SECOND. THESE CHARTER MEMBERS WILL BE ENCOURAGED TO OFFER TESTIMONIALS ABOUT THE IMPORTANCE OF LONG TERM CARE INSURANCE WHICH CAN BE SHARED WITH OTHER MEMBERS OF THE FEDERAL FAMILY.

AS I'VE NOTED, MOST OF THE FEDERAL FAMILY WILL NEED THE EDUCATION AND INFORMATION CAMPAIGN THAT WE HAVE PLANNED AND

THUS SHOULD WAIT UNTIL OPEN SEASON TO APPLY. OPEN SEASON WILL BEGIN JULY 1 AND EXTEND THROUGH THE END OF THE YEAR. THE FULL RANGE OF BENEFIT OPTIONS WILL BE AVAILABLE, INCLUDING A FACILITIES ONLY BENEFIT, AN UNLIMITED BENEFIT PERIOD AND A WEEKLY BENEFIT. IN ADDITION, OPEN SEASON WILL PRESENT THE FIRST OPPORTUNITY TO PAY PREMIUMS THROUGH PAYROLL OR ANNUITY DEDUCTION. DURING OPEN SEASON, APPLICANTS' AGE, FOR PURPOSES OF DETERMINING PREMIUMS, WILL BE THEIR AGE ON JULY 1, 2002. THUS, NO ONE WILL BE DISADVANTAGED BY WAITING UNTIL LATER IN THE OPEN SEASON TO APPLY. THE EFFECTIVE DATE OF COVERAGE WILL BE THE LATER OF OCTOBER 1 OR THE FIRST OF THE MONTH AFTER THE APPLICATION IS APPROVED.

OPM RECOGNIZES THE IMPORTANCE OF A SUCCESSFUL INITIAL ROLLOUT, AND WE, ALONG WITH LONG TERM CARE PARTNERS, ARE COMMITTED TO DOING EVERYTHING POSSIBLE TO MAKE THIS PROGRAM A SUCCESS. ULTIMATELY, WE WILL MEASURE OUR SUCCESS BY THE MARKET PENETRATION WE ACHIEVE—THAT IS, THE PROPORTION OF THE FEDERAL FAMILY THAT PURCHASES COVERAGE UNDER THE PROGRAM.

IN ADDITION, YOU MAY RECALL THAT THE LONG TERM CARE SECURITY ACT REQUIRES THE GENERAL ACCOUNTING OFFICE TO CONDUCT TWO

EVALUATIONS OF THE FEDERAL LONG TERM CARE INSURANCE PROGRAM, BY THE END OF THE PROGRAM'S THIRD AND FIFTH YEARS. CERTAINLY, THESE EVALUATIONS WILL PROVIDE AN INDEPENDENT MEASURE OF THE SUCCESS OF THE PROGRAM.

FINALLY, WE HAVE HAD DISCUSSIONS WITH THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ABOUT ITS INTEREST IN CONDUCTING RESEARCH RELATED TO THE FLTCIP. CLEARLY, HHS HAS A NUMBER OF LONG TERM CARE INITIATIVES THAT COULD BE INFORMED BY THE FLTCIP EXPERIENCE, AND VICE VERSA. WE LOOK FORWARD TO CONTINUING TO EXPLORE THESE OPTIONS.

IN CLOSING, I ASSURE YOU THAT WE HAVE EVERY REASON TO BELIEVE THAT THIS PROGRAM WILL BE A SUCCESS. WE ARE DEEPLY GRATEFUL FOR THE SUPPORT OF CONGRESS AND BELIEVE YOUR ACTIVE ADVOCACY ON BEHALF OF THE PROGRAM CAN BE VERY HELPFUL. CONSEQUENTLY, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I'D LIKE TO INVITE YOU TO JOIN DIRECTOR KAY COLES JAMES, FORMER DIRECTOR JANICE LACHANCE, AND ME AS CHARTER MEMBERS OF THE FEDERAL LONG TERM CARE INSURANCE PROGRAM. IF YOU ALREADY HAVE LONG TERM CARE INSURANCE AND THUS CHOOSE NOT TO PURCHASE OUR COVERAGE, YOU CAN LEND YOUR SUPPORT BY URGING THE FEDERAL FAMILY TO

CAREFULLY CONSIDER HOW THEY WILL PAY FOR THEIR FUTURE LONG
TERM CARE NEEDS.

THANK YOU FOR YOUR TIME TODAY AND FOR YOUR CONTINUING
INTEREST IN THE FEDERAL LONG TERM CARE INSURANCE PROGRAM.